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VALLE VERDE WATER COMPANY
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October 10, 2007

Arizona Corporation Commission
Utilities Division
Docket Control
1200 W. Washington
Phoenix, AZ 85007

Re: Docket W-01431A-07-0547

Please find enclosed additional information regarding the above referenced docket numbers:

- 1) Exhibit "A" specifies the specific amount of dollars to be recovered in the emergency rate increase request.
- 2) Exhibit "A" specifies the specific emergency rate to be charged to the customers via an emergency surcharge.
- 3) The methodology for collecting the emergency rates would be by adding an additional line item on the water bill specifying a surcharge rate per 1,000 gallon.

Customers would be noticed that this additional surcharge has been put into place to help defray the additional expense of purchasing City of Nogales water.

- 4) Exhibit "B" details the breakdown of the system repairs necessary to correct the operational problems.

Regards,

Bonnie O'Connor, V.P.
Southwestern Utility Management, Inc.

For
Valle Verde Water Company

Enclosure(s)

Arizona Corporation Commission

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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

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Exhibit "A"

Valle Verde Water Company
Docket #W-01431A-07-0547

2007 Water Sales Revenue (Jan. through Sept.):	\$164,889.00
Projected Water Sales (Oct. through Dec.):	<u>\$56,090.00</u>
Total Water Sales Revenue:	\$220,979.00
2007 Other Operating Revenue (Jan. through Sept.):	\$8,622.00
Projected Other Operating Revenue (Oct. through Dec.):	<u>\$2,874.00</u>
Totas Other Operating Revenue:	\$11,496.00
2007 Other Income (Jan. through Sept.):	\$991.00
Projected Other Income (Oct. through Dec.):	<u>\$330.00</u>
Total Other Income:	\$1,321.00
TOTAL REVENUE:	\$233,796.00

2007 Expense (Jan. through Sept.):	(\$211,143.00)
Projected Expense (Oct. through Dec.):	(\$70,381.00)
2007 Purchased Water Exp. - (Jan. through Sept.):	(\$68,744.00)
Projected Purchased Water Exp. - (Oct. through Dec.):	(\$41,246.00)
Personal Property Taxes due 10-07	<u>(\$7,492.00)</u>
TOTAL EXPENSE:	(\$399,006.00)
Deficit	<u>(\$165,210.00)</u>

<u>Projected</u>		<u>Requested</u>		<u>Additiional</u>
100,418,000	gallons	\$1.73	per 1,000 gallons	Revenue
				<u>\$173,723.14</u>

Exhibit "B"

Necessary System Repairs

Presently Valle Verde Water (VWWC) is addressing VOC contamination as well as Arsenic contamination within its water system.

More specifically, VWWC provides domestic water to two service areas or systems. System No. 12-009 is located east of I-19 with portions of the system located within the limits of the City of Nogales and the contiguous remainder located in Santa Cruz County north of the Nogales City limits. For Convenience, this system will be referred to as the east system. VWWC Service Area 12-025 is located entirely in Santa Cruz County, west of I-19 with its south boundary coincident with the north city limits of the City of Nogales. For convenience, this system will be referred to as the west system.

Groundwater in the west system contains arsenic and has forced the shutdown of one of the three wells located in this system. There is a sufficient supply of water to serve the west system unless arsenic levels increase in the existing operating wells.

Groundwater in the east system has shown the presence of several VOC's, with perchloroethylene (PCE) occurring above MCL's in several of the wells serving this system. The portion of this system evidencing PCE concentrations exceeding the MCL of 5.0 ppb are being served by a temporary interconnection to the City of Nogales water system. Well No. 4 is located in the area of contamination, but is not connected to the main VWWC distribution system. The residents being served by Well No. 4 are being supplied bottled water by VWWC. Well No. 3 is located in the northerly section of the east service area. This well has shown no detectable concentrations of VOCs and remains in service. This well is not currently connected to the main VWWC distribution system. Plans are being considered for an interconnecting pipe to the main VWWC distribution system but due to VWWC's lack of funds this interconnection has not been constructed.

Alternatives would be:

- 1) To install a connection between the east service area and the west service area to allow blending and redundancy.
- 2) Construct the interconnection between Well No 3 and the main distribution system together with upgrading the Well No. 3 facilities to include a storage reservoir and booster pump system to provide a means of supplying a significant quantity of water to the main distribution system.
- 3) Install a new well in the east service area to a depth which would penetrate into groundwater below the VOC contaminated aquifer from which the existing east service area wells are drawing.

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Necessary System Repairs (continued)

- 4) Install wellhead treatment equipment to remove VOC's at one or more of the east service area wells.

Regardless of the way these issues are addressed the cost to correct the problems are estimated to be in excess of \$1,000,000.

The urgency of the situation dictates swift action so as to keep VVWC operational and financially viable.